

# *Standard Market Design NOPR Comments*

Presentation to Illinois Commerce  
Commission

October 15, 2002

- *Governance*
- *NAESB*
- *ITCs*
- *Markets*
- *Transmission Service*
- *Regional Transmission Planning*
- *Long-Term Capacity Adequacy*
- *Other*
- *Discuss - Next Steps*

## *Comments - Governance*

## ➤ *Proposed Comments*

- FERC should allow established, working ISO protocols to continue.
  - LLC fiduciary obligations should remain.
  - 2/3 vote on a sector basis (except for Board).
  - Board qualifications.
  - No ties with market participants.
  - Annual certification of no financial interest in market participants.
  - President is non-voting Board member
  - Staggered three-year terms.
  - Board fills vacancies between annual meetings.
  - PJM - State MOU substantially meets needs of NOPR.

## ➤ *Board nomination process*

- General agreement
- Nominating Committee consists of one representative per sector and two Board members
- Nominating Committee would receive report from independent consultant
- Nominating Committee would have a “Code of Conduct” and charter for nominating process
- Nominating Committee would recommend one candidate for each open seat
- All members would vote for Board by sectoral simple majority.

## ➤ *Further Discussion*

- Stakeholders advisory only – no consensus
- Stakeholder sectors – working group to report
- Board members desiring to run for re-election – Board member would submit their name to nominating committee. Nominating committee would decide whether to present candidate to the members without independent consultant search.
- Board increase by additional two members - general agreement
- Some Board members to meet with members after each MC meeting – terminate liaison committee
- Board fees disclosed in accordance with SEC guidelines.

## ***Comments - NAEESB***

## ➤ *NAESB Issues*

- NAESB's role and scope especially concerning design and implementation of the markets
- ISO/RTOs "Advisory Council"



## *NAESB Comments*

- NAESB's role should be specific
- Standards should not significantly impact successfully implemented SMD-compliant systems
- PJM resource adequacy requirements and contract content for generation under development are already approved by FERC, so further changes need to consider regional differences and implementations (these may be considered reliability issues)
- ISO/RTO governance/stakeholder processes must not be circumvented

## *Comments - ITCs*

## ➤ *ITCs History And Stakeholder Process*

- PJM filings and testimony on split of functions
- Initial split agreed to by PJM and National Grid for the former Alliance
- Reviewed at September 11 EMC meeting

## ➤ *ITC Conflicts*

- ITC's should not run the market or make decisions where conflicts with other participants' business interests:
  - Congestion and Reliability – can be resolved through generation, transmission or demand solutions. ITC may also benefit by creating or increasing congestion.

## *Comments - Markets*

## ➤ *Stakeholder Process*

- EMC discussed at September 11 meeting.

## ➤ *Proposed Positive Comments*

- Fundamental Design of SMD Is Consistent with Current PJM Market.
- It's Consistent with Northeast Market Designs.

## ➤ *Generation Offers*

- Hourly changes to offer prices could be better provided by multiple sets of daily offers.

## ➤ *Day- Ahead Market*

- Additional features proposed to increase market flexibility will dramatically increase computational requirements.
  - Multi-hour block bids for transactions
  - Multi-hour block demand bids
  - Multi-part demand bids
  - Day-ahead Regulation Market
- It is not technically feasible to implement all of these features in the near-term and to develop the proposed larger regional markets.

## ➤ *Day-ahead, Financially Binding Regulation*

- Day-ahead Regulation Market very complex
- In the near term, larger Regional Energy Markets will provide more benefits.

## ➤ *Day-ahead, Financially Binding Spinning And Supplemental Reserves*

- Would require additional restrictions on scheduling flexibility and uninstructed deviations penalties to ensure reliable real-time operations
- Benefits of Day-ahead Ancillary Markets do not justify the cost or the reduction in operational flexibility.

## ➤ *Market Monitoring*

### – *The fundamentals of SMD's Approach to Market Monitoring Are Consistent with Current PJM Market Monitoring*

- Mitigation of local market power using ex ante offer caps based on generator cost
- Safety net bid cap at \$1,000/MWh
- Capacity/adequacy construct
- Optional backstop measure for significant market issues



## ➤ *Market Monitoring - Discussion*

- Market monitor reports to FERC; Board
- Monitor administers system of defined penalties
- Extent of responsibility to monitor ITP
- Details of mitigation for local market power
- Application of safety net bid cap
- Application of capacity construct
- Optional market dislocation mitigation (Aggregate AMP)
- Hourly bidding

## *Comments – Transmission Service*

## ➤ *Need Forward Physical External Reservations*

- Need some form of forward physical transmission reservation system for managing external transactions to achieve operational and market certainty.
- Purely financial scheduling system could cause scheduling problems at the market borders.
- Experience has shown that near-term curtailments and operational uncertainty can result without some system that provides forward scheduling certainty.
- Inaccurate information about external transaction interferes with the planning process

# *Comments – Regional Transmission Planning*

## ➤ *Stakeholder Process*

- Planning Committee discussed at September 10 meeting

## ➤ *Proposed Positive Comments*

- The requirement for a regional planning process is consistent with PJM practice.
- Emphasis on the ability of participants to provide market-based solutions is consistent with current development of merchant transmission interconnection procedures

## ➤ *Planning for Reliability*

- Regarding planning for reliability, clarify RFPs may be unworkable.
- Advocate reliable base-line system, overlaying generation, transmission, and load response projects via interconnection procedures.

# *Comments – Long-Term Capacity Adequacy*

## ➤ *Stakeholder Process*

- RAA RC discussed at August 22 meeting
- EMC discussed at September 11 meeting

## ➤ *Proposed Positive Comments* - The following are consistent with PJM's practice:

- Committing generation resources
- Linking deliverability and requirement to identify specific generation resources
- Assigning obligation to load-serving entities



## ➤ *Retail Access Programs*

- Proposal should accommodate load shifts resulting from retail access programs.

## ➤ *Deliverability*

- Point-to-point deliverability of generation resources to specific loads is inconsistent with proposed Network Access Service and may be unworkable.
- An aggregate deliverability test is preferable.

## ➤ *Commitment of Resources*

- Clarify that generation resources must be committed to the region.

## ➤ *Enforcement*

- The penalty structure in the NOPR is not sufficient to promote the commitment of generation resources to the region. Rather, it presents load-serving entities with a decision, weighing the cost of providing resources against the probability that penalties will later be imposed.

## *Comments - Other*

### ➤ *Security Standards*

### ➤ *Self Certification Forms*

- If self-certification form becomes a public document then become potential roadmaps for undesirable organizations or individuals to exploit.

### ➤ *Background Investigations*

- Need more specific guidance for disqualifying a person from their duties.
- Need more specific standard for conducting background checks (criteria and procedures that must be followed).

### ➤ *Certification*

- PJM should not be involved in certifying that any participant meets FERC-mandated requirements or conditions of tariff.

- *Software Design - Standards Development Process*
  - RTOs should lead and coordinate independent stakeholder working group.
  - Risk associated with this approach

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